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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

CIA/OER/S-06318-74

9 July 1974

MEMORANDUM FOR: The Honorable Thomas Enders
Assistant Secretary
Bureau of Economic & Business Affairs
Department of State

SUBJECT : The Integrated Emergency Program

1. Attached are estimates of how long oil stocks held by the United States, Western Europe, and Japan would last during alternative crises.

2. We would be pleased to provide any further analyses you may require.

[redacted]

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Attachment:
as stated

Distribution: (S-6318)
Orig & 11 - Addressee

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Introduction

In this note we first explain a possible international agreement on oil stocks and demand restraints. We then show how long the agreed stocks would last during alternative oil embargoes.

The Agreement

We assume that the US, Western Europe, and Japan each agree to maintain emergency oil stocks equal to thirty days of normal imports. Moreover, each partner agrees to exercise certain demand restraints during oil embargoes.

In particular, when an embargo causes a loss of less than 7 percent of the partners' total oil consumption, no demand restraints are required by the agreement. When the embargo loss is more than 7 percent but less than 14 percent of total consumption, then each partner reduces its oil demand by 7 percent, and draws from its stocks enough oil to maintain consumption at 93 percent of normal. When the embargo loss exceeds 14 percent of normal consumption, each partner reduces its oil demand by 10 percent and draws enough from stocks to maintain consumption at 90 percent of normal.

Stock Lifetimes Under the Agreement

During 1973, the average total oil consumption by the partners was roughly 38.1 million barrels per day (mb/d). Total average imports were 26.8 mb/d. Given these numbers, the partners would in 1973 have fared differently during alternative embargoes. For example, an embargo might have developed gradually, in the sense that the partners' imports could have been reduced by an extra half percent per day until the import loss reached a maximum of 10 percent.

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During this hypothetical embargo, each partner's stock would have lasted virtually forever. Had the crisis reached a maximum of 30 percent rather than 10 percent of normal imports, then stocks would have lasted for about 230 days1/. Stock lifetimes during other crises appear in Table 1.

Had agreed stocks been 60 rather than 30 days of normal imports, these stocks would have remained longer during each hypothetical crisis (see the second line of Table 1). With 90 rather than 60 days of imports in stock, the partners could have withstood even a 50 percent maximum cut in their total imports for almost a year.

Lifetimes of Stocks Held by ECG Members

The group of partners might consist of all ECG members rather than the US, Western Europe, and Japan. This change in composition would in 1973 have set the group's normal oil consumption at about 34 mb/d, and normal imports at 21 mb/d. But this makes little difference in how long stocks last during crises (compare Tables 1 and 2).

1/ A 55 percent cut in OAPEC exports to the partners would have reduced their total imports by roughly 30 percent.

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Table 1

Days that Agreed US, Western European and Japanese Oil Stocks Would Have Lasted During Embargoes in 1973

Stockpiles (days of normal imports)	Percentage of Normal Imports Available					
	90	85	80	75	70	50
30	61865	619	541	311	230	146
60	123711	1213	1060	589	420	230
90	185557	1807	1579	867	610	313

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Table 2

Days that Agreed ECG Oil Stocks Would Have Lasted During Embargoes in 1973

Stockpiles (days of normal imports)	Percentage of Normal Imports Available: 90	85	80	75	70	50
30	forever	889	385	382	261	153
60	forever	1753	739	733	482	242
90	forever	2616	1093	1085	704	332

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